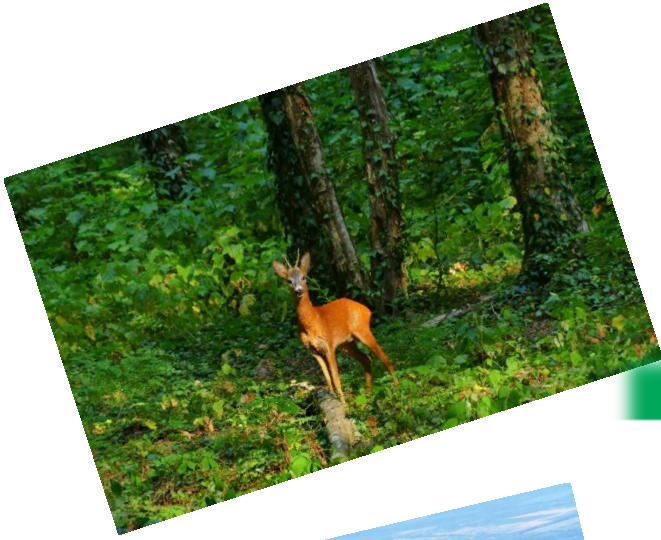




# Local Economic Development Plan

„Together for Lagodekhi“



Lagodekhi Municipality  
Georgia  
2019

## Preface from Mayor



Lagodekhi Municipality is a future-oriented municipality with great potential to develop economy. My main objective is to promote economic growth and business development in the municipality.

Geographical location, climate conditions, plenty of natural resources, tourism facilities, historical and architectural monuments, road infrastructure, municipal services, relief and productive soil, diverse ethnic and cultural traditions, hospitable population and many other positive factors in the municipality increase the investment potential and provide the basis for economic development of Lagodekhi. Therefore, I will make every possible effort using all the available resources to make Lagodekhi municipality attractive to different sectors of society both for investing and for involvement in various economic activities, life and recreation.

I pay particular attention to the cooperation with the municipality population. The desire to unite our society and engage them in the processes that take place in the municipality is one of the major challenges of the local government. This implies combination around a common principle, which is the economic growth and development, infrastructure arrangement, ensuring necessary living conditions for the population. By joining this EU initiative (M4EG), the local authorities of Lagodekhi municipality expressed their desire and readiness to share the experience of our partner countries, actively cooperate with all stakeholders to plan future activities, promote economic growth of the municipality and provide employment opportunities.

It is a great honour and responsibility for us to cooperate with the European Union, since we recognize the importance and need of governance principles that have already been successfully introduced and implemented in EU member states. We believe and hope that sharing experience will serve as a guarantee of strengthening our local economy.

The Local Economic Development Plan developed within the framework of the initiative will be effective, sustainable and, at the same time, will increase the economic potential of the municipality thus improving living standards.

The main part of activities envisaged by 2019-2020 Action Plan will be financed from Lagodekhi City Hall budget, there are also activities that will be co-financed by other partner organizations.

I would like to thank the municipality employees, private sector and civil society representatives and the population, who were actively involved in the development of the Local Economic Development Plan of the municipality. We hope that the involvement of stakeholders will increase even more and we will continue active cooperation at all stages of implementation of the Action Plan.

I hereby express my commitment to get involved in the process of implementation of 2019-2021 Economic Development Plan together with local self-government representatives to facilitate the effective and proper fulfilment of the planned activities.

Yours sincerely,  
Mayor of Lagodekhi Municipality  
Jondo Mdivnishvili

A handwritten signature in blue ink, appearing to be 'J. Mdivnishvili', written over a horizontal line.

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## 1. Executive Summary

This Local Economic Development Plan (LED) has been prepared within the framework of the EU initiative "Mayors for Economic Growth" (M4EG), by the partners of the local economic development, with equal participation of local authorities, business sector, non-governmental organizations, in which major economic trends were identified; it is based on the best European practices and approaches, aimed to support the private sector in order to promote local development and employment.

The purpose of the plan is to define tasks that will support the long-term improvement of the municipality and plan particular actions. The plan is focused and oriented only on the spheres of economy. The document reflects economic analysis of the situation in the municipality, as well as challenges, strengths and weaknesses, opportunities and threats, vision and goals of the municipality development. The activities to meet the goals are included in the attached two-year action plan. The mechanisms for implementation, monitoring and evaluation of the Action Plan are also envisaged.

To achieve economic growth, it is important to overcome such weaknesses as poorly developed business support infrastructure, migration of local workforce, lack of municipal services facilitating economic development, improper level of technology and awareness in business sector, low recognisability of the municipality etc.

The strength that municipality has in terms of natural-climatic conditions, good road infrastructure or local landscape will help municipality to overcome the weaknesses of municipality.

The vision of the economic development of the municipality has been developed, which implies increase of attractiveness of the municipality in terms of tourism development and attracting investments, development of business-friendly infrastructure and diversified entrepreneurship, growth of employment opportunities. To achieve this vision, the main objectives of the municipality have been defined as follows: building municipality awareness and improving the investment environment; raising awareness of the private sector and developing entrepreneurial skills; increasing entrepreneurial opportunities and improving the entrepreneurial environment.

To achieve these goals, activities have been planned to achieve the following: raising recognisability of the municipality inside the country, as well as internationally; provoking interest of investors and attracting investments; raising entrepreneurial knowledge/qualification; increasing access to infrastructure for the private sector, creating environment attractive for tourists, promoting fundraising activities and developing agricultural business.

The plan also includes funds required for the activities and their potential sources. Lagodekhi Municipality is ready to finance the major part of the activities envisaged by the plan from its own budget. According to the funding scheme, the total volume of financing activities described in the Financing Scheme is 410 000 GEL (about 136 700 EUR). Part of the activities will be implemented with the involvement of the state and civil sector and financial participation. In addition, part of the activities envisages attracting donors and it is necessary to actively work to find external sources of financing.

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## 3. Abbreviations

LAG – Lagodekhi Local Development Group

M4EG- Mayors for Economic Growth

SWOT - Strengths, weaknesses, opportunities and threats

DMO- Destination Management Organization

Sq.m-Square meter

Sq. Km-Square kilometers

M-meter

Km- Kilometer

## 4. Introduction to Plan

In March 2016 Lagodekhi Municipality joined the EU initiative “Mayors for Economic Growth” under the signature of the Lagodekhi Mayor.

Lagodekhi Municipality is located in the eastmost part of Georgia, in Kakheti region. Lagodekhi municipality borders with three municipalities of Kakheti region: Kvareli, Sighnaghi and Gurjaani, also Republic of Azerbaijan (Beylagan Administrative division) and Dagestan Autonomous Republic (Russian Federation). The administrative centre of the municipality is Lagodekhi, which is located 156 km (2,5 hours’ drive) away from Tbilisi, 100 kilometres (1 hour drive) away from Telavi, the centre of Kakheti region, 38 kilometres (30 minutes’ drive) away from the nearest railway station (Tsnori). Lagodekhi municipality mostly has mountainous terrane and is located at 435 meters above the sea level. The climate is moderately humid and subtropical, which is important in terms of agriculture for Lagodekhi municipality (it is possible to harvest some cultures twice a year). 44% of the territory of municipality is agricultural plots of land and 46% is covered with woodland. There are lots of superficial and ground waters used for drinking and irrigation of agricultural plots of land by the population.

The territory of Lagodekhi is 890.2 sq.km; there is one city and 67 villages with 43.1 thousand people. The average age is 38.4 years. Since the 90s of the 20<sup>th</sup> century the population of the municipality has decreased by more than 20%, though for the last 5 years the number of population is stable. 50% of the population are women, with average age 40.4 years, while the average age of men is 36.5. 66.4% of the population is employable. 86% live in rural areas (see maps, tables and graphs in Annex B).

In Lagodekhi municipality, there are various programs supporting business and agricultural development (Enterprise Georgia; plant future; etc.) which have contributed to business development and to the growth of the number of enterprises in the municipality. Also, in terms of infrastructure, intensive or ongoing renovation works (educational institutions, squares, roads, etc.) are underway.

However, the document, like this plan has not been developed before. This is a comprehensive plan and therefore cannot substitute other plans that are already present in the municipality. It is particularly focused on the development of private sector to ensure economic growth, development and employment opportunities. The plan is in compliance with the local development strategic priorities of Lagodekhi municipality, priority directions of the municipality development plan, local development strategy 2016-2020 of Lagodekhi municipality elaborated by the LAG, Kakheti region development strategy 2014-2021 and the social-economic development strategy of Georgia “Georgia 2020”.

As a result of close cooperation between all sectors in the municipality, including private sector and civil society, the working group was created by the Order of Mayor of Lagodekhi Municipality. The group was created with the involvement of the local authorities in partnership with private and public sectors, based on the equality principle.

75% of the activities of the plan will be funded from Lagodekhi municipal budget, as well as the state and other partner organizations’ budget. Representatives of private sector and state bodies will be actively involved in the process of implementation and monitoring activities envisaged by the plan.

## **5. Process of Local Economic Development Plan Development**

The Local Economic Development Plan was elaborated with the direct involvement of the Mayor. By the Mayor's order a Local Economic Development Officer was appointed and the plan development group of 4 members was established. The composition of the working group was as follows: 1 representative from the private sector, 1 representative from the non-governmental sector and 2 representatives from the municipality City Hall. Consultations were held with every local acting sector. The concept of the initiative was introduced, meetings were held with the focus groups of economic sector of the municipality to identify needs, establish partnership relationships and plan joint activities. The stakeholders were also engaged in the process.

Six meetings were held with the representatives of small business with focus groups selected from economic sectors. One general meeting was held with financial institutions, public sector and business representatives. One meeting was held with the representatives of the Municipality City Hall and City Council (Sakrebulo), one meeting with the school teachers and representatives of educational institutions. During the meetings all necessary data was collected, also needs were identified and the vision and goals were set.

In the process of the dialogue the possibilities of cooperation between the business sector and entrepreneurs were discussed, and at the level of ideas the agreements were reached for certain partner relationships. For example, cooperation between the hotels, establishing a common partnership platform; also, cooperation between private entrepreneurs and hotels in terms of provision of products and advertising. According to the interest and influence of local economic development, the Consultation Council was established on the basis of partnership relations. The Council is composed of 16 members, out of which 6 are women and 10 are men. Seven members are from the public sector, 4 – from civil society, and 5 are private sector representatives.

## **6. Local Economic Analysis**

### **6.1 Analysis of local economic structure:**

The local economy of Lagodekhi Municipality is mainly represented by agriculture, tourism, mining and processing industry (mining and processing of construction materials, etc.), trade and service provision areas. Considering the analysis, as shown on the diagram (Annex C), based on the turnover and revenues, the most developed directions are trade, and service and industry sectors. However, it should also be noted that tourism sector is a very promising and quickly developing sector in the municipality with a huge tourism potential.

According to the data of the National Statistics Office of Georgia for 2018, 1050 registered enterprises operate in the municipality territory, out of which 3 companies are medium and the rest are small enterprises. The largest part of local value chain, i.e. 59% of enterprises operate in the sphere of trade and services (auto service, hotels and catering facilities) and household and food sectors. The registered enterprises in processing industry hold 7% (see details in Annex C). These sectors mainly use local suppliers and resources to develop their value chains. There are no companies or fields and products or services that would distinguish the municipality from others.

Compared to 2013, the number of registered enterprises has increased by 44%. During the recent years the business and agriculture support from the state and EU funded programs have been

implemented in Lagodekhi municipality that contributed to the growth of enterprises and business development in the municipality.

The number of tourism facilities increases annually. This is due to the fact that the protected areas (nature reserve) are located in Lagodekhi, where the infrastructure is gradually developing. According to the official data of Lagodekhi Protected Area administration, 39417 tourists visited Lagodekhi National Park in 2014 and 57 472 – in 2018. It is noteworthy that so called “wooden walkways” will be arranged in Lagodekhi Protected Areas. Their design phase is coming to an end. Putting into operation of the mentioned facility will increase the number of visitors of the municipality to 350 000 during the year. There are four tourist routes, besides there are 2 picnic areas and 5 camping places on the territory with the relevant equipment. There are two museums in Lagodekhi – one is in the city, where the historical and ethnographical exhibits are displayed and the other is located in the administrative building of Lagodekhi Protected areas, where visitors can get information on biodiversity of nature on the territory of the natural reserve.

These circumstances positively affect the development of the hotel and catering businesses. In addition, historical and architectural monuments on the territory of the municipality influence the growth and development of the tourism sector.

It should be noted that, in general, both at the national and municipal level the growth tendency is observed in tourism and service sectors.

As of March 2019, in Lagodekhi municipality there are up to 50 guesthouses, privately owned small hotels and catering facilities, and up to 10 hotels and catering facilities under construction. The total number of beds in the hotels is 335. Compared to 2013 the number of hotels and catering facilities has increased by 33%. It is worth mentioning that most of the operating hotels have their own wine cellars and wine production, which greatly contributes to the development of wine tourism. The wine produced in the territory of Lagodekhi municipality is distinguished by its unique character and is characterized by exclusive taste.

Worldwide popularity of Georgian wine has increased the number of local winemakers that will be reflected in the growth of wine production and its export. At this stage there are three wine factories/cellars in Lagodekhi municipality. Wine and other alcoholic beverages produced in these cellars are sold both on the local and international markets. Georgian and foreign visitors come to visit wine cellars.

Wine-production is a developing industry in the municipality, which will be presented more widely in the future.

Among agricultural sectors cattle-breeding, poultry farming, fish breeding and beekeeping are developed. There are 38 fish farms in the municipality. The total area of flat water for fish farming is 485 ha.

Beekeeping is one of the biggest and at the same time, developing agriculture branches. As of 2018 (registered and unregistered) there are around 300 large and small bee-farmers in the municipality. Currently they own 4,960 beehives and produce 49.6 tons of honey. And, in 2015 this indicator was 4,370 beehives and 43.7 tons of honey. Natural conditions and farmers' experience contributed to the development of beekeeping. As mentioned, climatic conditions and landscape of Lagodekhi promote the development of bee farming, which in turn helps increase production (honey, honeycomb, etc.), though there are some difficulties in realization of the products. It is essential to raise awareness of farmers and develop veterinary skills that will help them sell their products and further develop the



sector. Besides, falsification of products causes mistrust of consumers and price reduction on the market.

Increase in production in agriculture is hindered by less access to agriculture services, agricultural technology and lack of sector specialists. The main obstacle is the spread of new diseases and pests, as well as insufficient level of farmers' awareness, which is expressed in a small number of farmers (70%-80% of farmers have insufficient arable land – 1,25 ha each) and lack of services to raise awareness. Other disadvantages are: lack of seed material, fertilizer material and pesticides, their poor quality and high cost; in addition, unstable price and high cost of fuel (petrol, diesel), lack of poor management of irrigation systems. It should be noted that natural disasters (hail, floods, etc.) cause serious threats to agricultural sector. The problem can be resolved partially by promoting timely insurance activities of harvest and timely cleaning of channels/rivers.

The volume of production in the municipality holds a significant share in the overall agricultural production of the region. This particularly concerns grain cultures – maize. The volume of maize production is growing annually. As of 2018, more than 47% of the maize produced in Kakheti region was grown in Lagodekhi municipality, and more than 26% on a national scale. It should be noted that as of 2017, the total area of maize seeded on the territory of municipality was 13 360 hectares and 69 000 tons of harvest was obtained in this area. In 2018 maize was planted on 12 840 hectares and the harvest reached 89 880 tons. Important agricultural directions are fruit, vegetable, hazelnuts, meat and cheese production. However, the analysis revealed that their volume is less than the demand and manufactured products cannot regulate the demands of the municipality market, especially products are supplied externally in winter period.

In industrial sector 74 small and 1 medium enterprises are represented by wine and beer factories, construction materials and inert substances, timber processing industry and furniture manufacturing enterprises.

The dynamics of exported products in the municipality is distinguished by the increasing trend. The increase in export of corn, vegetables, hazelnut, berry crops, wine and beer are particularly noteworthy, but the absence of warehouses – refrigeration farms is a huge problem. The major problem is related to selling agriculture products (mainly fruit and vegetables). Local and state markets cannot accommodate surplus products, farmers cannot export products and as a result, the harvest was damaged. The state should find alternative markets for the mentioned products or develop warehouse – refrigerators network, in order to fill local or international markets in case of fruit and vegetable deficiency and to satisfy the demand for this product. It is also necessary to develop structured mechanism of market analysis and prognosis in order to ensure timely registration of products and price forecast that will help determine the optimal quantity of required (demanded) products and to provide the stakeholders with these data.

Most of investments made in the territory of the municipality from 2017 to the first quarter of 2019 are for the construction and reconstruction of 64 trade and service facilities and 25 facilities in the field of agriculture (grain warehouses, stalls, refrigeration farms). In total 9 permits were issued for the small and agricultural enterprises in this period. For building of communication network in the municipality (e.g. companies “Socar”, “Magti”) 19 permits were issued by the Municipality City Hall. It is also worth to indicate that for the construction and reconstruction of catering facilities, hotels and small-size wine-cellar 18 permits were issued and 1 permit for educational facility.

As of 2017, the annual turnover in the business sector of the municipality was GEL 59,1 million, which exceeds the previous year indicator by GEL 11,4 million. The volume of products manufactured in 2017 was GEL 39,8 million, which exceeded the previous reporting year by GEL 9,4

million. The number of employed persons in the business sector in 2017 was 1421, which exceeded 2016 by 146. As for the number of hired persons, in 2017 there were 1246 persons, which exceeded the previous year 390 persons. The average salary of hired staff in the region is GEL 554.1, and in Lagodekhi municipality – GEL 373.9, which is less compared to other municipalities of the region.

## **6.2 Local cooperation and networking:**

As it is known, cooperation between business companies, in general, positively reflects on the development of the private sector. However, currently similar network relationships are less established in Lagodekhi municipality. At present, there are no particular structural mechanisms developed in the municipality for the cooperation and communication with private and business sector, but there exist different forms of relationship with them, which are mostly spontaneous. Recently by the initiative of the Municipality City Hall a special group was created for Lagodekhi entrepreneurs in *Facebook* aimed at unification of Lagodekhi entrepreneurs in one space, their mutual cooperation and familiarizing with their needs or problems. However, it should be noted that the group is very passive. The Municipality City Hall continues to invite and add new members to the group and make this initiative more interesting and useful both for entrepreneurs and for Lagodekhi Municipality. The agricultural sector is also inactive. Despite cooperation in the field of agriculture, which is reflected in the existence of agricultural cooperatives, still there is not close relationship between them. Regardless of state initiatives in Lagodekhi municipality, there are only one large and 6 small operating agricultural cooperatives, which is very few for such agricultural municipality as Lagodekhi. It is also noteworthy that the number of mentioned cooperatives has decreased, i.e. the legal status of several enterprises was suspended because they failed to comply with the requirements of the state (e.g. they failed to submit completed documentation or report about fulfilled activities).

It should be noted that gender council was established with the participation of representatives of civil society organizations, which is important in terms of local cooperation. There is a certain type of cooperation between the state and the civil/private sectors and some results have been achieved in terms of implementation of joint projects.

The local authorities express permanent commitment to cooperate with business and civil sectors. Municipal administration continues to seek partnership forms through which certain barriers between government and private sector will be removed that will significantly affect the growth of local sector, as well as Lagodekhi municipality. This chapter was elaborated based on the local partnership assessment or in accordance with the assessment of the parties involved in the elaboration of the plan (Assessment of local partnership see in Annex D).

## **6.3. Business-friendly, transparent and corruption free administration:**

Record management in the Municipality City Hall and City Council (Sakrebulo) is electronic. Documents are registered in the electronic system of records management. Accordingly, the term of document turnover has reduced. The municipality is connected to all government bodies and other public institutions through electronic system of records management. The municipality web page and *Facebook* profile (page) are active and provide information about local government bodies, their work and implemented activities. The Economic Department of the municipality City Hall has a relationship with the business sector and tries to keep close cooperation and communication with them, business sector assess it as a positive matter, but more needs to be done in this direction. The Economic Department of the municipality City Hall is composed of the International Projects and Tourism Development, Property Management and State Procurements divisions. The municipality

City Hall upon request shall issue information and provide consultations for business sector representatives according to the procedures envisaged by the law.

The Municipality City Hall tries to promote business sector development through various activities. However, these activities are spontaneous. The issues of development of various business supporting programs, choosing the forms of cooperation and relationship with private sector, improving communication and ensuring better awareness of private sector about business supporting programs of the state and donor organizations are discussed in the municipality.

Information about tenders announced by the Municipality City Hall is published in the unified system of the State Procurement Agency and all interested parties can submit and search their own tender proposals. The activities of the tender commission are transparent and all decisions are uploaded in the mentioned system. The Dispute Resolution Council of the Agency reviews all received complaints and starting from 2013 20 complaints have been filed regarding tenders, out of which only three complaints were satisfied, and no legal proceedings have been started on any case.

The right to use the municipality property or privatization is assigned through electronic auctions, the data on property to be transferred with privatization and use of right is published on the official website of the Service Agency of the Ministry of Finance.

The sessions of the Municipality are open for citizens and they can submit remarks and initiatives. Though, the number of applications to local government by business representatives is quite small (see details in Annex E).

#### **6.4 Access to finance:**

Due to the large number of financial institution in the municipality, there is much information about the financial resources available for business development and if interested, it is easy to find information on financial resources necessary for business development. However, simplification of information search and making it more user-friendly will be useful for the stakeholders that will contribute to business sector development. As regards the state programs, though this data exists and is published on relevant websites, still it is often not sufficient and requires clarifications. This means that business sector in the municipality is less aware of the state financial programs than the bank sector. Regional office of the Ministry of Environmental Protection and Agriculture of Georgia operates in the municipality, but it fails to provide sufficient information to the population about the projects to be implemented by the Ministry. Since some procedures envisaged for the state programs are bureaucratic, and often time-consuming, the private sector prefers to perform activities with its own limited resources. The banks and microfinance organizations in the municipality issue loans to small business companies and agricultural sector from 50 up to 50 000 GEL (all banks have individual loan limits) without any guarantee or deposit. Banks issue loans for the acquisition of fixed assets, as well as for operating expenses and working assets. High interest rate is a heavy burden for businesses. Besides, banks do not issue loans for start-ups without previous investment in business activity.

In certain cases state financing processes are delayed for agricultural projects and entrepreneurs fail to meet agro terms. However, it should be also noted that in some cases it is not a one-sided problem. Besides, timely insurance of farmers is not provided which is a big problem for them.

It is necessary to create some structural unit, platform that will provide detailed information to the business sector about the possibilities to find and access financial resources (see details in Annex F).

## **6.5 Land and infrastructure:**

The development of business and entrepreneurial activities is impossible without land and infrastructure. The interested persons apply to the City Hall requesting the use of land or infrastructure and consequently, the municipality City Hall shall adequately respond on this requirement through appropriate procedures. The Property Management and Material-Technical Support Division of the Economic Service Unit of the Municipality City Hall registers land and property existing on the territory of the municipality, and in case of demand, it registers unregistered plots of land in the ownership of the municipality, conducts inventory of buildings in its ownership. In the plain zone 23 ha of arable land and 473 ha of pastures, in the alpine zone 972 ha of pastures, 60 ha of non-agricultural land and 108 buildings are registered in the ownership of the municipality. 80% of these building are used by different institutions and for the rest there is no demand.

As of 2018, the total area of the municipality agricultural plots of land consists of 38 949 ha, out of which 27 523 ha is in private ownership, while the municipality owns 1468 ha. The rest of the area is owned by the state. So far there is no demand on this plot. Agricultural land is distributed as follows: annual (one-year) cultures -5868 ha, vineyard - 1676 ha, walnut cultures - 1107 ha, berry crops - 36.7 ha, stone and pomaceous fruits - 602.5 ha, cereal and pulses cultures - 15922 ha, subtropical fruits - 1239 ha (see details in Annex G).

It should be noted that there is some reserve of agricultural plots of land in the municipality. It is possible to register unregistered arable plots of land in the municipal ownership. Accordingly, the area of arable lands owned by the municipality will increase significantly and it will be possible to lease these plots of land, i.e. the farmer (local population) will be able to use the land and this additional income will fill the budget.

It should also be noted that privatization and lease of property is often hindered based on the current legislation. The municipality does not have power to procure independently the works (services) and conclude agreements with relevant services (expertise of property, audit of cadastral drawings, etc.), that takes time. Entrepreneurs often refuse to wait for a long time and often refuse to lease the land.

The City Hall plans to create business incubator or innovations centre in the territory of the municipality. Negotiations are held with LEPL Georgia's Innovations and Technology Agency. For the development and support of agriculture sector, it is important to establish agricultural laboratory, which is also of great interest for the municipality administration.

It should also be noted that the municipality is ready for development of communications and road infrastructure. And this is very important factor for business sector.

## **6.6 Regulatory and institutional framework:**

Although certain procedures were simplified, there are still some obstacles for better development and simplification of business activities in the municipality. There are certain bureaucratic barriers, legislative regulations and administrative rules. One of the problems is the procedure and terms for issuing construction permits, which in some cases lasts for a long time because of lack of coordination between agencies or lack of qualified personnel. The problem was also revealed in relation to guesthouses and private hotels. Namely, in some cases addresses on international maps are not correct that prevent tourists from coordination and finding the correct address. Besides, hotels have difficulties with paying high and off-season tariff for utility bills (cleaning service, water supply). Namely, the hotels operating in the municipality pay cleaning service fees according to the number of

beds during the year, which in their opinion is wrong, because they do not operate at full capacity and want to make that fee seasonal.

Another challenge is complicated procedures for obtaining a license to use state natural resources (minerals). Simplified procedures would significantly benefit the municipality to meet the demands of the population, as well as to clean the riverbed (see details in Annex H).

As in many other municipalities, in Lagodekhi municipality the following is not yet developed: agriculture and tourism development programs and strategies. Also, marketing strategies and start-up supporting programs need to be elaborated and approved.

### **6.7 Skills and human capital, inclusiveness:**

Lagodekhi municipality, as well as many other municipalities, suffers from the lack of qualified workforce, which is reflected in the development of the municipality. One of the key factors of having insufficient staff is lack of employment opportunities and low-paid jobs. Accordingly, the local population seeks to find the desired jobs outside the municipality, which is shown in migration indicators.

This is a challenge for the local government and therefore, the municipality is looking for the means to help job seekers that in turn will negatively affect the migration of the population in the municipality.

There is a huge demand on qualified personnel in the field of tourism development. The required professions are: cooks, veterinaries, finance experts, lawyers, construction specialists and engineers, sanitary technicians, agronomists, auto tech specialists, guides with foreign language skills, and others. In general, there is high demand on qualified staff almost in every sector, but the salaries in the local labour market are low (as of 2019, the average salary of employees is 373.90 GEL). Qualified personnel and capable to work population migrate from the municipality or start working on different positions. It is crucial to permanently upgrade skills of local staff in the field of service provision and conduct trainings on the following issues: networking, sales, marketing, service + and others.

Job seekers are mainly registered in the electronic system of social services agency [www.worknet.gov.ge](http://www.worknet.gov.ge), where more than 400 persons from the municipality are registered and some of them have already found jobs. Job seekers try to find jobs through personal contacts and in internet, or apply to the municipality to assist them to register in the mentioned system. College "Aisi" is operating in the municipality, where three vocational training programs are taught currently. These programs are: 1. Guide in the field of Georgian cultural heritage; 2. Forestry; 3. Installation of drywall constructions. The college plans to add other training programs in the future.

In general, it should be noted that the measures to raise knowledge and qualification are spontaneous. There is less coordination between the municipality, business sector and educational institutions in this regard. Some business companies train/retrain their staff occasionally, according to their business needs but these activities are not organized and regular.

### **6.8. External positioning and marketing:**

Lagodekhi municipality with its geographical location, nature, climate conditions and traditional hospitality is unique. There is also a diverse ethno-cultural tradition. All this gives particular attraction to the Lagodekhi municipality and makes it a desirable place for people of all circles and

nationalities, both in the region and outside it. Due to the above mentioned, the municipality is a prospective area for tourists.

In 2016 Lagodekhi Municipality (Georgia) and Viļāni Municipality (Latvia) signed a memorandum of cooperation, which also has a positive effect on recognizability of the municipality. Accordingly, the number of Georgian and foreign tourists in Lagodekhi municipality is increasing annually. The interest of business sector towards Lagodekhi municipality is increasing that has resulted in the growth of guesthouse network, construction of private hotels, arrangement of small, family wine-cellars and bigger wine factories, etc.

It should be also noted that branding issue of the municipality and its territories needs to be managed in order to promote its specific location and products produced in this territory.

It is noteworthy that Lagodekhi Municipality administration intends to establish Tourism Information Centre to increase tourism potential and promote popularity of the region that will positively influence the growth of tourists' flow. Besides, municipality administration wants to create tourism and recreation spaces in order to promote tourism opportunities of Lagodekhi. For that purpose specific locations (Lagodekhi Forest Park and Lagodekhi former Polkov Garden territory) were allocated. For its development a total of 8 500 000 GEL (2 833 400 EUR) is required, though the municipality does not possess relevant finances at this stage. It is planned to prepare the development plans for these territories, for which 330 000 GEL (110 000 EUR) will be allocated.

It should be noted that the implementation of this plan will have a positive impact on the socio-economic situation of the population.

## 7. SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>✓ Geographical location and attractive climatic conditions</li> <li>✓ Productive soil and diversity of agricultural sectors</li> <li>✓ Multiple historical and architectural monuments</li> <li>✓ Regulated road infrastructure</li> <li>✓ Sport and recreational facilities</li> <li>✓ Communication networks</li> <li>✓ Health facilities</li> <li>✓ Natural landscape, protected areas, biodiversity</li> <li>✓ Abundance of hydrological resources, including healthcare, recreational (balneological) waters/springs, natural springs, boreholes, irrigation systems</li> <li>✓ Ethnically and ethnographically diverse population, their hospitality, culture and traditions</li> <li>✓ Commitment of local government to encourage involvement of all sectors of society and advance economic situation in the municipality</li> <li>✓ Potential of alternative sources of energy</li> </ul>	<ul style="list-style-type: none"> <li>✓ Lack of awareness of the municipality</li> <li>✓ Poorly organized road and business support infrastructure</li> <li>✓ Limited budget of the local self-governance</li> <li>✓ Insufficient quality of tourism services and communications</li> <li>✓ Insufficient entertainment areas</li> <li>✓ Improper level of entrepreneurial education</li> <li>✓ Absence of business incubators/accelerators</li> <li>✓ Lack of investments and financial availability</li> <li>✓ Less accessible agricultural machinery and services</li> <li>✓ Insufficient number of job places</li> <li>✓ Migration of local population capable to work</li> <li>✓ Lack of arable land and land erosion</li> <li>✓ Absence of veterinary services and livestock selection. Spreading of animal/plant diseases, high cost of pesticides</li> <li>✓ Absence of agricultural laboratory</li> <li>✓ Unused alternative energy resources and low level of awareness in this regards</li> <li>✓ Unstable and unregulated market system</li> <li>✓ Absence of agricultural products processing</li> </ul>

	enterprises and cold storage plants ✓ Lack of farmers' cooperatives
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>✓ Business support projects implemented in the country</li> <li>✓ State investment policy</li> <li>✓ Increase of the municipality awareness and high trend of increase in the number of tourists</li> <li>✓ Growing demand for ecologically clean agricultural products in the world</li> <li>✓ Support of international donor organizations</li> <li>✓ Liberal tax policy and easy commencement of business activities</li> <li>✓ Deep and comprehensive commercial space, products export opportunities</li> <li>✓ Development of appropriate programs in collaboration with local self-government</li> <li>✓ Arrangement of tourism and entertainment spaces</li> <li>✓ Rehabilitation of irrigation system</li> <li>✓ Resource of agricultural lands</li> <li>✓ Agricultural cooperative farms</li> <li>✓ High potential for the development of new tourist routs and trails</li> <li>✓ Existence of medicinal artesian waters</li> </ul>	<ul style="list-style-type: none"> <li>✓ Pests spread in farms. Plant and livestock diseases</li> <li>✓ Low price for imported agricultural products</li> <li>✓ High trend of migration</li> <li>✓ Natural disasters, including landslides, floods, droughts</li> <li>✓ Insufficient defensive facilities on rivers and consequently, constantly damaged agricultural lands</li> </ul>

Among the strengths of Lagodekhi Municipality is its geographical location, climate, protected areas, abundance of the fresh waters, and structure of soil of agricultural lands, ethno-cultural traditions, etc. Therefore, it is necessary to address weaknesses by utilizing the existing resources, which prevents the municipality from the development of its economy. For example, it is urgent to raise awareness of the municipality with different methods that will increase the number of visitors and the interest of potential investors towards the municipality, also raising awareness in the field of agriculture and introduction of necessary technologies that will promote the development of agriculture and so on. It is important to ensure that these activities are properly led and facilitated against those obstacles that prevent the development of the sectors. For example, preventive measures on natural disasters, migration mitigation measures, etc.

## 8. Vision and Objective

**Business environment in Lagodekhi municipality is attractive for local business and foreign investors, diversified economy and skills of local population ensure employment opportunity.**

This is a long term vision. To achieve the desired result joint efforts of public, private and civil organizations are required. Its achievement will significantly exceed a two-year period under the Action Plan.

**Objectives:**

1. Promote tourism development
2. Facilitate development of skills
3. Promote agriculture development



## 9. Action Plan

This Action Plan has been developed with involvement of local partners and stakeholders and will be implemented by their active participation within the given terms. The Local Economic Development Action Plan is focused on promoting private sector development. The Municipality City Hall and its respective structural units are responsible and accountable for the implementation of actions envisaged in the Action Plan. These units are: Financial Department, Economic Department, Legal Service and Supervision Department, Infrastructure, Spatial Arrangement, Construction, Architecture and Monument Protection Department.

<i>Building blocks</i>	<i>Key Objectives</i>	<i>Actions/Projects ideas</i>	<i>Duration (start/finish)</i>	<i>Partners involved</i>	<i>Estimated costs, national currency (equivalent in Eur)</i>	<i>Output (Product) indicators and targets</i>	<i>Outcome (Result) indicators and targets</i>
1. External positioning and marketing	1. Promote tourism development	1.1. Establish Tourism Information Center in the city of Lagodekhi	09/2019-08/2020	Lagodekhi Municipality City Hall; National Tourism Administration	15 000 GEL 5 000 EUR	Tourism Information Center is established / established and arranged Tourism Information Center in compliance with the tourism center project	Increased awareness of the Municipality. Information services for tourists are available in one space. Increased quality service provision to tourists. Increased popularity of tourism facilities, increased number of tourists in the municipality About 50,000 - 60,000 visitors annually / the number of Tourism Information Center visitors, increased satisfaction level of tourists, increased number of tourism facility users/visitors.
		1.2. Prepare tourist routes in Lagodekhi	04/2020-08/2021	Lagodekhi Municipality City Hall	30 000 GEL 10 000 EUR	New tourist footpath/place is arranged / in compliance with the space project /tourism infrastructure developed and managed on the basis of tourism needs / developed tourism infrastructure; arranged new tourism space	Increased awareness of the municipality; increased number of tourists / number of visitors staying in hotel; increased job opportunities; increased number of tourism facility users /the increase of number of tourists in the municipality
		1.3. Prepare topographical map and develop plan of Forest Park of Lagodekhi city	02/2020 - 08/2021	Lagodekhi Municipality City Hall; LAG – Lagodekhi development group	180 000 GEL 60 000 EUR	Forest Park of Lagodekhi city is prepared /number of users of recreation-entertainment space / prepared Forest Park development plan	Developed tourism infrastructure; increased awareness of the municipality; increased flow of tourists / increase of the Forest Park visitors / promoted tourism potential of tourism;
		1.4. Organize information tours in Lagodekhi	01/2020 – 06/2021	Lagodekhi Municipality City Hall	6 000 GEL 2 000 EUR	Information tours are organized/ number of information tour participants / organized information tours to promote Lagodekhi tourism potential	Increased awareness of the municipality; increased number of visitors / Increase of satisfaction of information tour participants / positive dynamics of the growth of visitors number

		1.5 Prepare topographical map and development plan of Lagodekhi former Polkov Garden	02/2020 – 08/2021	Lagodekhi Municipality City Hall	150 000 GEL 50 000 EUR	Lagodekhi former Polkov Garden development project is prepared / number of users of recreation-entertainment spaces on Lagodekhi territory	Developed tourism infrastructure; increased awareness of the municipality; increased flow of tourists/ increase of number of Garden territory visitors / popularized tourism potential of the municipality;
2. Skills and human capital development	2. Facilitate development of skills	2.1. Conduct trainings for job seekers organized by Lagodekhi Municipality City Hall	09/2019 - 08/2021	Lagodekhi Municipality City Hall	3 000 GEL 1 000 EUR	Groups of job seekers are trained, including youth , women, disabled persons and others; Skill of job seekers are developed; Increase of employment opportunities of youth, women, disabled persons and other groups/ number of conducted study meetings and trainings, number of participants / increased awareness of training participants	Training participants are employed; increased awareness of job seekers / number of persons with increased awareness and number fo employed trained persons; increased number of jobs seekers willing to attend trainings / promotion of employment
		2.2. Conduct trainings for hotel and service facility personnel organized by Lagodekhi Municipality City Hall and National Tourism Administration	09/2019 - 08/2021	Lagodekhi Municipality City Hall; National Tourism Administration of Georgia	15 000 GEL 5000 EUR	Trainings and workshops are conducted; service facility personnel is trained / numbers of conducted trainings and workshops; number of trained persons / promotion of business	Increased awareness of staff working in tourism sector; increased quality of service provision; increased satisfaction level of tourists; tourists attraction is simplified; increased flow of tourists /number of training and workshop applicants; number of participants with increased awareness, degree of tourists satisfaction; number of tourists flow / promotion of private sector development
3. Land and infrastructure; 5.External positioning and	3. Promote agriculture development	3.1. Promote participation of small family type wine cellars in wine exhibitions	01/2020 – 08/2021	Lagodekhi Municipality City Hall; DMO – Destination Management Organization	6 000 GEL 2 000 EUR	Participation in the selected festivals, exhibitions, fairs/ number of participants in festivals, exhibitions and fairs / promotion of business	Increased awareness of the municipality; informed wide society about local production; increased number of tourists flows/ number of persons willing to participate in festivals and exhibitions; increased number of informational and advertisement material; tourists flow in dynamics/ promotion of private sector development

marketing		3.2. Inventory of property (unregistered agricultural) on the territory of the municipality and prepare for leasing	09/2020 - 08/2021	Lagodekhi Municipality City Hall	5 000 GEL 1 700 EUR	Inventory of unregistered property is conducted / area of registered lands / inventory of unregistered agricultural lands	Increased entrepreneurial activities; increased revenues of enterprises; created job places / amount of property transferred with the right to use; increased number of jobs / availability of investments and promotion of entrepreneurial development
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## 10. Financing Scheme

Estimated budget for activities envisaged by the Local Economic Development Plan of the municipality is 410 000 GEL - 136 700 EUR. 89.5% of the funds for the fulfillment of activities of the Action Plan will be covered from the municipal budget. Out of this, 8.2% of the budget is allocated for capital expenses. For the activities described in the Action plan 7.3% of the total budget is provided from the upper level (public) budget, and 3.2% from the donor organizations.

Actions	Estimated costs	Source of financing				Funding gaps	Remarks
		Local budget	Upper level budget	Business	Donors		
1. Establish Tourism Information Center in the city of Lagodekhi	15 000 GEL 5 000 EUR		15 000 GEL 5 000 EUR				
2. Prepare tourist routes in Lagodekhi	30 000 GEL 10 000 EUR	30 000 GEL 10 000 EUR					
3. Prepare topographical map and develop plan of Forest Park of Lagodekhi city	180 000 GEL 60 000 EUR	173 000 GEL 57 700 EUR			7 000 GEL 2 300 EUR		
4. Organize information tours in Lagodekhi	6 000 GEL 2 000 EUR	6 000 GEL 2 000 EUR					
5. Prepare topographical map and development plan of Lagodekhi former Polkov Garden	150 000 GEL 50 000 EUR	150 000 GEL 50 000 EUR					
6. Conduct trainings for job seekers organized by Lagodekhi Municipality City Hall	3 000 GEL 1 000 EUR	3 000 GEL 1 000 EUR					
7. Conduct trainings for hotel and service facility personnel organized by Lagodekhi Municipality City Hall and National Tourism Administration	15 000 GEL 5 000 EUR		15 000 GEL 5 000 EUR				
8. Promote participation of small family type wine cellars in wine exhibitions	6 000 GEL 2 000 EUR				6 000 GEL 2 000 EUR		funding of DMO

9. Inventory of property (unregistered agricultural) on the territory of the municipality and prepare for leasing	5 000 GEL 1 700 EUR	5 000 GEL 1 700 EUR					
<b>Total</b>	<b>410 000 GEL 136 700 EUR</b>	<b>367 000 GEL 122 400 EUR</b>	<b>30 000 GEL 10 000 EUR</b>		<b>13 000 GEL 4 300 EUR</b>		

## 11. Monitoring indicators and mechanisms

Within the internal monitoring plan of activities of the Economic Development Action Plan, Internal Monitoring Committee will be established under the Consultation Council, which is based on partnership relations. The Committee will monitor timely implementation of activities of the Plan. Gender balance, as well as public and private sector balance in the Committee will be ensured.

Actions/Projects ideas	Duration (start/finish)	Expected results months 1-6 (September-February)	Expected results months 7-12 (March-August)	Expected results months 13-18 (September-February)	Expected results months 19-24 (March-August)
<b>1. Establish Tourism Information Center in the city of Lagodekhi</b>	09/2019-08/2020	Building for a new Tourism Information Center was prepared and reconstructed	Inventory and equipment for the Tourism Information Center was procured and installed; Formal opening of Tourism Information Center is held, visitors are provided services		
<b>2. Prepare tourist routes in Lagodekhi</b>	04/2020-08/2021		Locations for tourist routes are selected and the territory for further works is prepared; Equipment and labor-force is mobilized; tender according to the project is announced	Repair and construction works of the tourist routes are started; Tourist routes are arranged according to the state standards	Marking of routes is made according to the state standards; various information signs are installed; formal opening of tourist routes is held and first visitors are received
<b>3. Prepare topographical maps and develop plan of Forest Park of Lagodekhi city</b>	02/2020 -08/2021	Forest Park territory is visited and places are marked	Tender documentation is prepared; tender for elaboration of topographical maps and development plan is announced	Winner companies are identified, marked areas and places are prepared; planned works are carried out	Winner companies conducted works in estimated terms and according to the defined norms; topographical map and development plan of Forest Park of Lagodekhi city are prepared
<b>4. Organize information</b>	01/2020 –	Preparatory works to	Organizational works are carried out; place	Preparatory works to	Organizational works are

<b>tours in Lagodekhi</b>	06/2021	conduct information tours have been started	and date of conduct of information tours is planned; information tour is conducted for invited tour organizations	conduct information tours have been started	carried out; place and date of conduct of information tours is planned; information tour is conducted for invited tour organizations
<b>5. Prepare topographical map and development plan of Lagodekhi former Polkov Garden</b>	02/2020 – 08/2021	Park territory is visited and places are marked	Tender documentation is prepared; tender for elaboration of topographical maps and development plan is announced	Winner companies are identified, marked territory and places are prepared; planned works are carried out	Winner companies conducted works in estimated terms and according to the defined norms; topographical map and development plan of Lagodekhi former Polkov garden are prepared
<b>6. Conduct trainings for job seekers organized by Lagodekhi Municipality City Hall</b>	09/2019 -08/2021	Target groups and training topics are selected on the basis of meetings with the population (1. Program Presentation; Introducing participants; Finding the information on jobs, Analysis of job market reality, creating an effective cv, Career creation and planning stages; official letter writing with potential employer, Successful job Interviews, the problem of unprofessional HR on market, team work, constructive collaboration, Evaluate the program and plan the next steps to promote the	Workshops are held with the groups, 25 participants are retrained	Training topics and target groups are selected, training program is developed, workshops are conducted, 25 participants are trained	Training topics and target groups are selected, training program is developed, workshops are conducted, 25 participants are trained

		employment of participants. (Mentoring). Schedules, groups, and training programs are compiled.			
<b>7. Conduct trainings for hotel and service facility personnel organized by the Lagodekhi Municipality City Hall and National Tourism Administration</b>	09/2019 - 08/2021	Training topics and target groups are selected, training program is developed, workshops are conducted, 15 participants are trained		Training topics and target groups are selected, training program is developed, workshops are conducted, 15 participants are trained	Training topics and target groups are selected, training program is developed, workshops are conducted, 15 participants are trained
<b>8. Promote participation of small family type wine cellars in wine exhibitions</b>	01/2020 – 08/2021	2 small wine cellars are selected for participation in wine exhibitions, participant groups of 2-3 persons are selected	Selected groups are sent to the exhibition; they participated in the exhibition The products of the presented cellars were popularized and realization of the products of the presented cellars were increased.	2 small wine cellars are selected for participation in wine exhibitions, participant groups of 2-3 persons are selected	Selected groups are sent to the exhibition; they participated in the exhibition The products of the presented cellars were popularized and realization of the products of the presented cellars were increased.
<b>9. Inventory of property (unregistered agricultural) on the territory of the municipality and prepare for leasing</b>	09/2020 - 08/2021			Inventory of property was conducted; relevant documentation was prepared	inventory was registered (transferred) on the municipality balance; Public documentation was prepared
<b>% of total budget (estimated)</b>	100 %	25%	25%	25%	25%